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C O N F I D E N T I A L SECTION 01 OF 06 BRASILIA 002781

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SUBJECT: SCENESETTER FOR SECRETARY RUMSFELD'S TRIP TO  
BRAZIL, NOVEMBER 15, 2004

REF: BRASILIA 2763

Classified By: Deputy Chief of Mission Philip Chicola, reasons

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#### INTRODUCTION

1. (C) The United States Mission in Brazil warmly welcomes your visit to Manaus. Your arrival comes on the heels of a major shakeup in Brazil's Ministry of Defense. The resignation of Minister Jose Viegas and his replacement on November 8 by Vice President Jose Alencar is intended to repair a relationship between the civilian minister and the force commanders that in recent months had suffered from tensions and disagreements. (Reftel describes the stress between Minister Viegas and senior military commanders leading to his resignation.) You are the first senior USG official to meet with Vice President Alencar in his new capacity as Defense Minister. (Note: Embassy has requested the bilateral meeting with Alencar, but no official GOB response has been given as of 8 November COB. End Note) Being new to his posting, Alencar, we suspect, will appreciate words of support for the bilateral mil-mil relationship and will be interested in suggestions for enhancing those ties. While he will be cool to our entreaties on Article 98, he may be interested in exploring a Defense Cooperation Agreement through which we may be able to achieve our overall policy objectives.

#### CHANGE AT THE TOP

2. (C) Although Viegas' departure had been anticipated in President Lula's next cabinet shake-up, expected in early 2005, the timing could not be postponed any longer. Recent publication of alleged photos of prominent journalist Waldomir Herzog, widely thought to have been tortured and murdered by the military in 1975, led to a ham-handed Brazilian army defense of its behavior during the military period (1964-1985). A communique released without Viegas' concurrence by the army appeared to justify human rights violations during that era and brought down the wrath of President Lula and other government officials -- many of whom had been imprisoned or exiled during the dictatorship. Minister Viegas' inability to control senior military leadership, and at the very least prevent the embarrassment caused by the army's letter, could not be ignored any longer.

3. (C) In taking over the defense portfolio, Vice President Alencar faces some immediate challenges. While Viegas could at least claim political-military expertise from a long foreign service career during which he held critically important assignments, Alencar has no such experience. The Brazilian military remains totally apolitical. However, senior military leadership has never been happy with the civilian supervision that came with the creation of the Ministry of Defense in 1999. Alencar will have to assert his authority over the uniformed services, but he knows he must do it in a way that does not lead to further rancor.

4. (C) Almost immediately, the new minister will face the issue of possibly opening the sealed archives from the military period. In light of the publicity over Herzog, public clamor for release of these files has risen. The military asserts that many files have been disposed of following proper legal procedures. A decree signed by former President Fernando Henrique Cardoso lengthened to 60 years the period these archives are to remain sealed. Changes may also have to be made in the senior uniformed services, beginning with Army Commander Francisco Albuquerque, Viegas' adversary. Alencar will also have to consider how to resolve the long-standing \$700 million competition for next generation fighter aircraft (F-X). Under Viegas, an announcement on a decision on selection of an F-X had been postponed numerous times. However, given the sticker shock of new F-X aircraft, the GOB may postpone a decision indefinitely.

#### POLITICAL AND SOCIAL LANDSCAPE

5. (SBU) Brazil's democracy is less than two decades old, having succeeded the military regime that ruled from

1964-1985. Lula da Silva, the country's first working-class president, took office in January 2003. He passed important tax and pension reforms but has made little progress on his social agenda, including his flagship Zero Hunger project. Lula's Workers' Party (PT) leads an eight-party coalition that holds a majority in both houses of Congress, but the coalition is undisciplined, and Lula must make compromises to pass his legislation. In October nationwide municipal elections were held to select the country's mayors and city councils. The PT lost some key races, including the mayor of Sao Paulo, but is still in a leading position to contest the 2006 presidential race.

16. (SBU) Under President Lula, Brazil has achieved a higher international profile, reflected in its leading role in South America, its push for a UNSC permanent seat, its spearheading of a "G-20" group of developing nations, its revitalization of Mercosul, and its constructive roles in Haiti and Venezuela. Brazil is an important player on global issues such as hunger (witness the September 20 New York Conference), HIV/AIDS and the environment. U.S./Brazilian cooperation has been key to progress on the WTO Doha round. Brazil and the U.S. are co-chairs of the FTAA negotiations. The GOB has focused on South America and developing countries, engaging intensively with Mercosul and forging a regional approach to trade talks. Brazilians are committed to the UN and other multilateral institutions. The majority of Brazilians oppose the war in Iraq. Lula has voiced strong opposition to the war, but this has not prejudiced his approach to broader bilateral relations.

#### CRIME, TERRORISM, NONPROLIFERATION

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17. (C) On counter-terrorism operational issues, cooperation between the USG and Brazilian law enforcement and security services is good. The GOB remains hypersensitive to allegations that terrorist groups are active on Brazilian territory, particularly in the Tri-border region. Senior GOB officials maintain that there is no evidence to support claims that terrorists operate on Brazilian territory and the GOB has repeatedly asked us for specific information to support such allegations. GOB police and security officials acknowledge that fundraising, money laundering, and related criminal activities are likely ongoing, but again, they request solid intelligence that would link funding with terrorist groups. Brazil has a sizable population with ethnic origins in the Middle East, including many who are economically and politically influential. The USG is concerned that these communities contain persons who financially support terrorist organizations.

18. (C) Crime remains a severe problem in Brazil's large cities. In Rio, where violence has become endemic, a gang war earlier this year in Rocinha, a favela notorious for crime and drugs, culminated with bloodshed and revealed the depth of criminal druglord control over the favelas. The police reacted by launching a highly publicized incursion into Rocinha. In the countryside, the Landless Movement (MST) illegally occupies land, causing confrontations with landowners and the GOB. A role for the Brazilian military in dealing with crime and public security is being reviewed, and President Lula appears to favor some increased military role. Recent legislation has been passed giving troops in remote areas of the Amazon arrest powers when apprehending someone committing an illegal act. Many field-grade officers regard some armed forces involvement in law enforcement as inevitable; however, most senior officers, sensitive to the legal ramifications that could result from civilian casualties, increased corruption, and the residual legacy of 21 years of military rule, remain strongly opposed.

19. (C) Brazil has recently found itself in an uncomfortable spotlight regarding its non-proliferation credentials. The IAEA is working closely with the GOB over the institution of a suitable inspection regime for the new enrichment facility at Resende. The GOB expects to have an agreement with the IAEA regarding Resende in place soon. In addition, the IAEA, the U.S., and many other countries have asked Brazil to sign the Additional Protocol (AP) to the NPT, a measure the GOB has resisted so far. Brazil argues that the nuclear weapons states need to accelerate their disarmament even as the nonweapons states consider additional compliance measures. Brazil is not expected to sign the AP until at least mid 2005. Meanwhile, Brazil is considering signing onto the International Code of Conduct for missile technology but remains unenthusiastic about the Proliferation Security Initiative and the Australia Group.

#### THE ARMED FORCES IN BRAZIL

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10. (C) Since the end of military rule in 1985, the armed services have supported Brazil's civilian leadership and adapted to their new apolitical status, despite the problems noted above with the new civilian Ministry of Defense,

created in 1999. The officer corps is professional and dedicated to defending Brazil's constitution.

11. (C) Public esteem does not translate, however, into funds. Military budgets have decreased steadily for 15 years, with the severest cuts introduced over the last four years. This has naturally had a negative impact on the readiness of the armed forces. As President Lula stresses social priorities while working within tight fiscal constraints, the prognosis for the military's budget is for more of the same. The military grumbles that it is entitled to pay raises. The lack of money dampens the force projection capability. Procurement programs for new weapons systems to replace outmoded equipment are also starved for funds, while programs such as the development of a Brazilian nuclear-powered submarine and maintenance of antiquated vessels drain resources that could be better directed elsewhere.

12. (C) As Viegas' resignation shows, a major internal issue is the relationship between the armed services and the civilian-led Ministry of Defense. Minister Viegas created, for example, a four-star level secretariat of cooperative studies headed by a diplomat. Many officers felt such senior civilian placements within the Ministry diminished the military's access and rendered it less effective in fighting important bureaucratic battles. In addition to the problems noted above with the MOD, within the Ministry there are problems in the chain of command. Although the Chief of Defense and the Secretary for Strategy, Policy and International Affairs are four-star generals with direct advisory roles to the Minister, their positions are unofficially subordinate to the service commanders. Their ability to impose jointness is compromised. Morale among the senior military grades has been negatively affected, leading to transfers and some retirements.

13. (C) The services maintain close ties with counterparts in neighboring countries and there are no identifiable trouble spots in these relations. Each service conducts annual or more frequent dialogue at various levels of command with neighboring militaries. Army-to-army relations with Brazil's neighbors, for example, are conducted at the chief of staff, regional command, brigade, and battalion levels. Despite a troubled history, relations between the Argentine and Brazilian militaries have never been closer. Brazil is also doing some regional intelligence sharing, and there is steady improvement in this field with Colombia and Peru.

#### SPECIFIC ISSUES

14. (C) Army Issues: Brazil's army has the lead in MINUSTAH and a 1200 man PKO force has been on the ground since June. While army leadership is confident in its ability to conduct such PKO missions, its troops are being stretched to the limit. Foreign Minister Amorim is pressing hard for other countries to fill their UN commitments for MINUSTAH. The army is attentive to Brazil's borders, particularly in the Amazon Basin where it has relocated 5,000 troops and established several new frontier platoons. There continues to be concern with the spillover effects of the Colombian conflict and some skirmishes with the FARC have been reported. While the army does not anticipate a direct confrontation with the FARC, there is recognition that FARC gunrunning and narcotics smuggling activities will eventually have to be challenged. While the various commands may lack hardware and support, they are keenly aware of their mission and seem prepared to carry it out.

15. (C) Navy Issues: In recent years, the navy procured 23 A-4 Skyhawk attack aircraft from Kuwait and bought the former French aircraft carrier Foch, renamed the Sao Paulo. Several pilots have already become carrier qualified in the U.S. The Navy is sending on average two officers a year to the U.S. for flight training. In March 2004, the navy signed an LOA for the FMS LINK 11 case to upgrade their secure communications. In a program plagued by technological and design flaws, the navy's nuclear submarine program has swallowed about \$1 billion in R&D costs. The navy claims it is still 20 years, and \$500 million, away from final development and delivery of a nuclear sub. (We believe it would be much longer and cost much more.) Meanwhile, the navy is in dire need of escort vessels, and is hard pressed to maintain its aging fleet. Navy command is interested in submarine rescue, diesel submarine, and UNITAS training and exercises.

16. (C) Air Force Issues: The air force desperately wants to replace its aging Mirages. President Lula has continued to postpone a decision on a new generation fighter (F-X), an understandable decision given the cost involved. New Lockheed F-16 Block 50 aircraft were offered in the competition. However, recognizing that other competitors might be preferred by FAB, Lockheed-Martin also decided to offer used F-16s in a deal that would provide the air force

with capable aircraft at a fraction of the cost of new planes. However, FAB continues to focus on the procurement of new, not used, aircraft. Regardless of the decision, GOB funding of the F-X will be difficult. FAB is also looking to replace its aging UH-1 helicopter fleet. In February 2004, the FAB sent a delegation to Alabama to discuss possible modifications needed on the 6-10 Black Hawks they are interested in purchasing. Congressional approval is expected this month with the final LOR valued at \$166M for 10 BLACKHAWK Helicopters. FAB will put initial investment of \$100M against a new FMS case for purchase of the BLACKHAWKS. First delivery is expected in June 2005 for two helicopters.

17. (C) SIVAM (Amazon Surveillance System): Now essentially complete, the SIVAM system built by Raytheon consists of ground, aerial, and space-based sensors, communications and patrol aircraft. Raytheon has had contractual differences with the GOB, but the company reports the situation has improved and its support for the project will not stop. Brazil has indicated its willingness to share data with neighboring countries under certain conditions.

18. (C) Article 98: Brazil has not signed an Article 98 agreement and is subject to ASPA sanctions. The GOB, in keeping with its long-standing multilateralism, insisted it was committed to the International Criminal Court and that signing our Article 98 waiver would weaken this commitment. The Government also asserted that it could conceive of no circumstances under which it would subject U.S. citizens to extradition to The Hague. The GOB calculated that the projected loss annually under ASPA sanctions of \$500,000 of IMET funds was tolerable. However, the imposition of full FMS pricing for training, an unforeseen consequence of ASPA, caught the GOB by surprise and has caused additional frustration and friction. Despite this additional blow, the loss of access to EDA grant funds, the withdrawal of the Spruance destroyer offer (combination sale and grant transfer), and the financial impact on the training portion of procurement offers such as the F-16, we do not expect Brazil to reverse its position on Article 98. In fact, the MOD has indicated that it will continue training at the same level as pre-ASPA sanctions, just with other countries. The armed services have already shifted training to Great Britain and France and has new programs with Russia, China, and even Vietnam.

19. (C) Airbridge Denial/Shootdown: Following extensive USG-GOB consultations to develop strict interdiction parameters for protecting innocent lives, on October 17 Brazil began implementation of its 1998 law permitting the shootdown/forcedown of civil aircraft suspected of illicit trafficking. On October 16 President Bush signed a Presidential Determination to waive liability under U.S. law owing to the extraordinary threat trafficking poses to Brazil's sovereignty.

20. (SBU) Despite irritants in the relationship, we consider ties between the U.S. and Brazilian militaries good. Brazil and the U.S. will continue to participate in joint exercises such as Cabanas and UNITAS. In June, the aircraft carrier Ronald Reagan made a port visit to Rio. In July 2005 Brazil will host PKO-South and the annual Unitas exercise. The MOD still views the U.S. military relationship as important and the U.S. a dependable, if sometimes irritating, partner. Brazil, as a strategic partner, remains important to the U.S. Beyond ASPA, there remain many areas of defense cooperation and interaction, as well as areas of cooperation that remain untapped. Many in the Brazilian Armed Forces recognize that they must expand their role in counter narcotics and counter terrorism. As the MOD proceeds with the development of a National Military Strategy for Brazil, the U.S. can offer its perspectives on the process.

21. (C) Maintaining the U.S.-Brazil pol-mil relationship requires constant attention and, perhaps, more effort than with any other bilateral relationship in the hemisphere. Within Brazil, there is no institutional propensity to curry favor with the U.S. Given its size, Brazil views itself as a regional leader and global player, even if it sometimes appears to fall short of what is expected from a world power. The GOB will be eager for ways to enhance the bilateral relationship, overcoming the obstacles created by ASPA and Brazil's rejection of an Article 98 agreement. The GOB has expressed interest in negotiating an umbrella Defense Cooperation Agreement (DCA) that would replace the former Mutual Defense Assistance Treaty, unilaterally abrogated by the GOB in 1980 due to our human rights policies. But the GOB will also remain sensitive that it not appear too eager to consummate deals with us that could backfire politically.

Danilovich